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**LEYOU TECHNOLOGIES HOLDINGS LIMITED**  
**樂遊科技控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 1089)**

**MAJOR TRANSACTION  
IN RELATION TO  
THE ACQUISITION OF VIDEO GAMES COMPANIES**

**Financial adviser to Leyou Technologies Holdings Limited**



**First Shanghai Capital Limited**

Reference is made to the announcement of the Company dated 30 May 2016 in relation to the entering into of the Exclusivity Agreement, pursuant to which the Company was granted an exclusivity period until 30 September 2016 for due diligence on certain companies engaged in the business of video game development and video game server technology and for negotiations to reach a definitive agreement in relation to the acquisition of the entire issued share capital of such companies.

The Board is pleased to announce that on 1 July 2016, Paul Wedgwood, Radius Maxima (a wholly-owned subsidiary of the Company) and the Company entered into the Main SPA pursuant to which Radius Maxima conditionally agreed to acquire the Splash Damage Shares, the Fireteam Shares and the Warchest Shares from Paul Wedgwood. Radius Maxima expects to enter into the Optionholder SPAs with the Optionholders at or prior to Completion. The Targets (being Splash Damage, Fireteam and Warchest, which are companies incorporated under the laws of England and Wales) are expected to become wholly-owned subsidiaries of Radius Maxima at Completion.

Splash Damage, together with its subsidiary, is principally engaged in the development of computer games for different hardware platforms, including consoles, personal computers and mobile devices. Fireteam is principally engaged in the provision of online services and back-end support of computer games. Warchest is principally engaged in owning, publishing and operating competitive multiplayer games with high production values for all leading platforms.

The Consideration is the sum of the Initial Consideration, any positive Adjustment Payment, the Deferred Payment, any NIC Liabilities Shortfall Payment and any Earn-Out Consideration. The Consideration shall be allocated in the following proportions: (i) 65% of the Consideration for the Splash Damage Shares and the Splash Damage Option Shares; (ii) 25% of the Consideration for the Fireteam Shares and the Fireteam Option Shares; and (iii) 10% of the Consideration for the Warchest Shares and the Warchest Option Shares.

The Secured Consideration (being the Earn-Out Consideration, the Deferred Payment, and any Aggregated Adjustment Payment) is to be secured by the Deed of Share Charge, pursuant to which Radius Maxima will undertake to pay the Earn-Out Consideration when due in accordance with the terms of the Main SPA and the Optionholder SPAs and will charge all present and future shares of Radius Maxima in the Targets and all their related rights in favour of Paul Wedgwood by way of first fixed charge. The Deed of Share Charge shall be dated the date of Completion.

The Consideration (excluding the Aggregated Adjustment Payment) payable by Radius Maxima to Paul Wedgwood and the Optionholders under the Sale and Purchase Agreements shall not in any event exceed US\$150 million (equivalent to approximately RMB996 million). The sum of the Aggregated Adjustment Payment payable by Radius Maxima to Paul Wedgwood and the Optionholders under the Sale and Purchase Agreements shall not in any event exceed US\$10 million (equivalent to approximately RMB66 million). The sum of the amount payable by Radius Maxima to the Targets under the Main SPA (including but not limited to any payment obligations under the sub-section headed “Additional project funding” below), shall not in any event exceed US\$10 million (equivalent to approximately RMB66 million).

Pursuant to the Main SPA, the Company guarantees in favour of Paul Wedgwood the due and punctual performance, discharge and observance by Radius Maxima of all its present and future obligations and liabilities (including payment obligations) under the Main SPA, the Optionholder SPAs and the Tax Deed.

## **LISTING RULES IMPLICATIONS**

As certain of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

## **EGM**

The EGM will be convened to consider and approve the Sale and Purchase Agreements, all other documents referred to therein (including the Deed of Share Charge and the Tax Deed) and the transactions contemplated thereunder. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the transactions contemplated under the Sale and Purchase Agreements. Therefore, no Shareholder is required to abstain from voting at the EGM.

## **GENERAL**

A circular containing, among other things, (i) further information on the Acquisition; (ii) further information on the Targets; (iii) the accountants' reports on the Targets; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the notice of the EGM; and (vi) other information as required under the Listing Rules, shall be despatched to the Shareholders. Given the expected time required for the finalisation of the contents, particularly the financial information, of the circular, the circular is expected to be despatched on or before 29 July 2016.

**Completion is subject to the satisfaction of the respective conditions precedent under the Sale and Purchase Agreements and, therefore, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **INFORMATION ON THE TARGETS**

### **Splash Damage**

Splash Damage, together with its subsidiary, is a high-end computer and video games development studio that develops video games across multiple platforms including next generation consoles, personal computers and mobile devices. As at the date of this announcement, Splash Damage is wholly-owned by Paul Wedgwood.

Founded in London in 2001 and incorporated under the laws of England and Wales, Splash Damage has contributed to several number one hits and won awards and nominations. Over the past decade Splash Damage has partnered on development projects with market leading publishers and platforms. With these partners, Splash Damage has developed "blockbuster" sequels to several of the world's most successful videogame franchises including *Wolfenstein Enemy Territory*, *Doom 3 (multiplayer)*, *Enemy Territory Quake Wars*, *Batman: Arkham Origins (multiplayer)* and most recently *Gears of War: Ultimate Edition*. Splash Damage is currently working on *Gears of War 4*, along with other unannounced titles.

### **Fireteam**

Fireteam is principally engaged in the provision of online services, consultancy and back-end technologies for online games. As at the date of this announcement, Fireteam is wholly-owned by Paul Wedgwood.

Founded in London in 2011 and incorporated under the laws of England and Wales, Fireteam exists to improve the online experience of players worldwide. Formed around a “Mission Control Mindset” it strives to satisfy players with best-in-class online services. Fireteam is credited for its contributions to online services for some of the biggest game IP’s including *Halo: The Master Chief Collection*.

## **Warchest**

Warchest is principally engaged in owning, publishing and operating competitive multiplayer games with high production values for leading platforms. As at the date of this announcement, Warchest is wholly-owned by Paul Wedgwood.

Founded in London in 2011 and incorporated under the laws of England and Wales, Warchest retains full creative control over its titles, exhibiting a profound commitment to “Put the Player First”. Pioneering the use of Net Promoter Score in the game industry, it tracks and actions player feedback daily to ensure a healthy growing community around its games. It created, owns and operates original IP titles on mobile and PC including *RAD Soldiers* and *Dirty Bomb*, serving a growing community of players.

## **THE ACQUISITION**

Reference is made to the announcement of the Company dated 30 May 2016 in relation to the entering into of the Exclusivity Agreement, pursuant to which the Company was granted an exclusivity period until 30 September 2016 for due diligence on certain companies engaged in the business of video game development and video game server technology and for negotiations to reach a definitive agreement in relation to the acquisition of the entire issued share capital of such companies.

The Board is pleased to announce that on 1 July 2016 Paul Wedgwood, Radius Maxima (a wholly-owned subsidiary of the Company) and the Company entered into the Main SPA pursuant to which Radius Maxima conditionally agreed to acquire the Splash Damage Shares, the Fireteam Shares and the Warchest Shares from Paul Wedgwood. Radius Maxima expects to enter into the Optionholder SPAs with the Optionholders at or prior to Completion. The Targets are expected to become wholly-owned subsidiaries of Radius Maxima at Completion.

The Targets comprise Splash Damage, Fireteam and Warchest. Splash Damage is principally engaged in the development of computer games for different hardware platforms, including consoles, personal computers and mobile devices. Fireteam is principally engaged in the provision of online services and back-end support of computer games. Warchest is principally engaged in owning, publishing and operating competitive multiplayer games with high production values for all leading platforms. The Targets are companies incorporated under the laws of England and Wales.

The Consideration (excluding the Aggregated Adjustment Payment) payable by Radius Maxima to Paul Wedgwood and the Optionholders under the Sale and Purchase Agreements shall not in any event exceed US\$150 million (equivalent to approximately RMB996 million). The sum of the Aggregated Adjustment Payment payable by Radius Maxima to Paul Wedgwood and the Optionholders under the Sale and Purchase Agreements shall not in any event exceed US\$10 million (equivalent to approximately RMB66 million). The sum of the amount payable by Radius Maxima to the Targets under the Main SPA (including but not limited to any payment obligations under the sub-section headed “Additional project funding” below), shall not in any event exceed US\$10 million (equivalent to approximately RMB66 million).

The principal terms of the Sale and Purchase Agreements are set out below:

**Date of Main SPA**

1 July 2016

**Parties to and targets of the Main SPA**

Purchaser: Radius Maxima

Purchaser’s guarantor: the Company

Vendor: Paul Wedgwood

Targets: Splash Damage, Fireteam and Warchest

**Date of Optionholder SPAs for First Round Optionholders**

Signed on 1 July 2016 and expected to become effective at or prior to Completion

## **Date of Optionholder SPAs for Second Round Optionholders**

Expected to be entered into at or prior to Completion

## **Parties to and targets of the Optionholder SPAs**

Purchaser: Radius Maxima

Vendors: Optionholders

Targets: Splash Damage, Fireteam or Warchest (as the case may be)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Paul Wedgwood and the Optionholders are independent third parties to the Company and its connected persons (as defined in the Listing Rules) as at the date of this announcement.

## **Assets to be acquired**

As at the date of this announcement, (i) the Splash Damage Shares, the Fireteam Shares and the Warchest Shares represent the entire issued share capital of Splash Damage, Fireteam and Warchest, respectively; (ii) all the Splash Damage Option Shares represent approximately 11.74% of the fully diluted share capital of Splash Damage, where approximately 6.00% is held by the First Round Optionholders and approximately 5.74% is held by the Second Round Optionholders; (iii) all the Fireteam Option Shares represent approximately 9.79% of the fully diluted share capital of Fireteam, where approximately 7.07% is held by the First Round Optionholders and approximately 2.72% is held by the Second Round Optionholders; and (iv) all the Warchest Option Shares represent approximately 8.69% of the fully diluted share capital of Warchest, where approximately 6.24% is held by the First Round Optionholders and approximately 2.45% is held by the Second Round Optionholders.

The Splash Damage Option Shares, the Fireteam Option Shares and the Warchest Option Shares shall lapse if they are not exercised at or prior to Completion. Pursuant to the Main SPA, Paul Wedgwood agreed to use all reasonable endeavours to procure the delivery to Radius Maxima of the Optionholder SPAs duly executed by each of the Optionholders (or their respective duly authorised attorney) at Completion. Paul Wedgwood also agreed to exercise any and all rights available to him as a shareholder of the Targets to procure the sale of all the Splash Damage Option Shares, the Fireteam Option Shares and the Warchest Option Shares in issue at Completion to Radius Maxima, including without limitation exercising his “drag along” rights pursuant to the articles of association of the Targets. Hence all the Optionholder SPAs are expected to be entered into at or prior to Completion.

Radius Maxima shall (i) acquire the Splash Damage Shares, the Fireteam Shares and the Warchest Shares from Paul Wedgwood pursuant to the Main SPA; and (ii) acquire the Splash Damage Option Shares, the Fireteam Option Shares and the Warchest Option Shares from the Optionholders pursuant to the Optionholder SPAs, in each case at Completion. At Completion, the Targets will become wholly-owned subsidiaries of Radius Maxima.

In the event that Paul Wedgwood does not deliver at Completion the Optionholder SPAs duly executed by all the Optionholders and Radius Maxima elects to proceed to Completion notwithstanding that it will not acquire all of the Splash Damage Option Shares, all of the Fireteam Option Shares and all of the Warchest Option Shares at Completion, then Paul Wedgwood shall fully indemnify and keep indemnified Radius Maxima in cash on demand for all costs, expenses, losses and liabilities whatsoever suffered or incurred by Radius Maxima in acquiring any and all Splash Damage Option Shares, Fireteam Option Shares and Warchest Option Shares in respect of which Optionholder SPAs were not delivered at Completion in order to enable Radius Maxima to acquire the entire share capital of the Targets.

## **Consideration**

The Consideration is the sum of:

- (i) the Initial Consideration;
- (ii) any positive Adjustment Payment;
- (iii) the Deferred Payment;



- (iv) any NIC Liabilities Shortfall Payment; and
- (v) any Earn-Out Consideration.

The Consideration shall be allocated in the following proportions:

- (a) 65% of the Consideration for the Splash Damage Shares and the Splash Damage Option Shares;
- (b) 25% of the Consideration for the Fireteam Shares and the Fireteam Option Shares; and
- (c) 10% of the Consideration for the Warchest Shares and the Warchest Option Shares.

The Consideration was arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreements and was determined after having taken into account, among other things, (i) the historical improvements in the financial performance of the Targets; (ii) the expected business development and future financial performance of the Targets; (iii) the prospects of the video game industry; and (iv) the valuation report of the Targets prepared by an independent valuation firm.

The Consideration (excluding the Aggregated Adjustment Payment) payable by Radius Maxima to Paul Wedgwood and the Optionholders under the Sale and Purchase Agreements shall not in any event exceed US\$150 million. The sum of the Aggregated Adjustment Payment payable by Radius Maxima to Paul Wedgwood and the Optionholders under the Sale and Purchase Agreements shall not in any event exceed US\$10 million. The sum of the amount payable by Radius Maxima to the Targets under the Main SPA (including but not limited to any payment obligations under the sub-section headed "Additional project funding" below), shall not in any event exceed US\$10 million.

The Consideration is expected to be funded by the internal resources of the Group and/or borrowings from financial institutions.

### **Initial Consideration**

The Initial Consideration shall be the higher of (i) US\$35,000,000; and (ii) an amount equal to the sum of the Completion Value plus the Initial Adjustment Payment (if positive).

Paul Wedgwood shall, on or before the date falling five Business Days prior to Completion, notify Radius Maxima of the estimated cash balances and debt balances of the Targets as at Completion and the estimated Working Capital Adjustment.

Upon Completion, Radius Maxima shall pay (i) Paul Wedgwood's Percentage of the Initial Consideration (less Paul Wedgwood's Percentage of any positive Initial Adjustment Payment, less Paul Wedgwood's Director's Loan and less the GP Bullhound Fee Amount) in cash to Paul Wedgwood; (ii) Paul Wedgwood's Director's Loan in cash to Splash Damage; (iii) the GP Bullhound Fee Amount in cash to GP Bullhound; (iv) the Optionholders' Percentage in Splash Damage of the Splash Damage Initial Consideration in cash to the relevant Optionholder; (v) the Optionholders' Percentage in Fireteam of Fireteam Initial Consideration in cash to the relevant Optionholder; and (vi) the Optionholders' Percentage in Warchest of Warchest Initial Consideration in cash to the relevant Optionholder.

Within 10 Business Days after the date of Completion, Radius Maxima shall pay an amount equal to any positive Initial Adjustment Payment in cash to Paul Wedgwood and the Optionholders.

### **Adjustment Payment**

The Adjustment Payment equals the Completion Consideration less the Initial Consideration. Where the Adjustment Payment is:

- (a) positive,
  - (1) a payment shall be made within ten Business Days of the Determination Date from Radius Maxima to Paul Wedgwood of the difference between Paul Wedgwood's Percentage of the Completion Consideration and Paul Wedgwood's Percentage of the Initial Consideration; and
  - (2) a payment shall be made within ten Business Days of the Determination Date from Radius Maxima to the Optionholders of the aggregate of (i) the Optionholders' Percentage in Splash Damage of the difference between the Splash Damage Completion Consideration and the Splash Damage Initial Consideration; (ii) the Optionholders' Percentage in Fireteam of the difference between the Fireteam Completion Consideration and the Fireteam Initial Consideration, and (iii) the Optionholders' Percentage in Warchest of the difference between the Warchest Completion Consideration and the Warchest Initial Consideration;

- (b) negative, an amount equal to any amount of the Adjustment Payment due to Radius Maxima shall be deducted from the Earn-Out Consideration due before any Earn-Out Consideration is paid to Paul Wedgwood or the Optionholders provided that the Earn-Out Consideration shall not in any event be a negative amount.

For illustrative purpose, based on the cash balances, debt balances and the Working Capital Adjustment of the Targets as at 31 March 2016 (i.e. assuming Completion took place on 31 March 2016), the Completion Consideration would be approximately US\$40,366,724 (equivalent to approximately RMB268,035,047).

### **Deferred Payment**

Radius Maxima shall pay Paul Wedgwood's Percentage of the Deferred Payment in cash to Paul Wedgwood on 28 February 2017, and on the same date Radius Maxima shall pay (i) the Optionholders' Percentage in Splash Damage of the Splash Damage Deferred Payment in cash to the relevant Optionholders; (ii) the Optionholders' Percentage in Fireteam of the Fireteam Deferred Payment in cash to the relevant Optionholders; and (iii) the Optionholders' Percentage in Warchest of the Warchest Deferred Payment in cash to the relevant Optionholders.

### **NIC Liabilities**

If the actual NIC Liabilities exceeds the Agreed NIC Liabilities, Radius Maxima shall be entitled to deduct 50% of such excess from the Earn-Out Consideration. If the actual NIC Liabilities is less than the Agreed NIC Liabilities, Radius Maxima shall pay 50% of the difference to Paul Wedgwood and the Optionholders ("**NIC Liabilities Shortfall Payment**").

### **Earn-Out Consideration**

The Earn-Out Consideration consists of the 2017 Payment, the 2018 Payment and the 2019 Payment and shall not exceed US\$105 million (being US\$150 million less the Completion Value and the Deferred Payment). Paul Wedgwood shall be entitled to receive Paul Wedgwood's Percentage of the Earn-Out Consideration. The Optionholders shall be entitled to receive their respective Optionholders' Percentage of the Earn-Out Consideration.

### ***2017 Payment***

The 2017 Payment shall be a sum equal to:

- (i) five times the 2017 Audited Net Income; less
- (ii) the Completion Value and the Deferred Payment,

as adjusted under paragraph (b) of the section headed “Adjustment Payment” above, if applicable.

If the calculation of the 2017 Payment produces a negative figure, then the 2017 Payment shall be deemed to be zero.

The sum of the Completion Value, the Deferred Payment and the 2017 Payment shall not exceed a sum equal to US\$150 million nor be less than US\$45 million.

### ***2018 Payment***

The 2018 Payment shall be a sum equal to:

- (i) four and a half times the 2018 Audited Net Income; less
- (ii) the sum of the 2017 Payment, the Completion Value and the Deferred Payment.

If the calculation of the 2018 Payment produces a negative figure, then the 2018 Payment shall be deemed to be zero.

The sum of the Completion Value, the Deferred Payment, the 2017 Payment and the 2018 Payment shall not exceed a sum equal to US\$150 million nor be less than US\$45 million.

### ***2019 Payment***

The 2019 Payment shall be a sum equal to:

- (i) four times the 2019 Audited Net Income; less

- (ii) the sum of the 2017 Payment, the 2018 Payment, the Completion Value and the Deferred Payment.

If the calculation of the 2019 Payment produces a negative figure, then the 2019 Payment shall be deemed to be zero.

The sum of the Completion Value, the Deferred Payment, the 2017 Payment, the 2018 Payment and the 2019 Payment shall not exceed a sum equal to US\$150 million nor be less than US\$45 million.

Paul Wedgwood and the Optionholders shall not be entitled to receive any amount of the Earn-Out Consideration until the 2017 Accounts, the 2018 Accounts and the 2019 Accounts (as the case may be) for the respective Earn-Out Periods are determined in accordance with the provisions of the Sale and Purchase Agreements. In relation to each Earn-Out Period, Radius Maxima shall procure that the 2017 Accounts, the 2018 Accounts and the 2019 Accounts are prepared and audited as soon as practicable and in any event within 60 Business Days of the last day of the relevant Earn-Out Period.

The Earn-Out Consideration shall be payable by Radius Maxima in cash by electronic transfer to the bank accounts nominated by Paul Wedgwood and the Optionholders within five Business Days of the determination of the Earn-Out Consideration for the relevant Earn-Out Period pursuant to the Sale and Purchase Agreements.

### ***Earn-out protections***

The Earn-Out Consideration is subject to, among others, the following protections:

- (a) the Targets shall carry on their business in the ordinary course for the benefit of the Targets;
- (b) Radius Maxima shall allow Paul Wedgwood in his capacity as the chief executive officer to exercise day-to-day operational management control of the Targets in accordance with the terms of Paul Wedgwood's employment agreement and certain guiding principles of the Targets reflected in the Main SPA;
- (c) none of the Targets will be wound up unless it is insolvent; and

- (d) save in the ordinary course of business or with the consent of Paul Wedgwood (not to be unreasonably withheld if in the best interests of the Targets), none of the Targets shall sell, transfer or otherwise dispose of all or a material part of its business, assets or undertaking (or enter into an agreement to do so).

### ***Security***

The Secured Consideration is to be secured by the Deed of Share Charge entered into at Completion, pursuant to which Radius Maxima will undertake to pay the Earn-Out Consideration when due in accordance with the terms of the Main SPA and the Optionholder SPAs and will charge all present and future shares of Radius Maxima in the Targets and all their related rights in favour of Paul Wedgwood by way of first fixed charge. The Deed of Share Charge shall be dated the date of Completion.

### **Conditions precedent to the Sale and Purchase Agreements**

Completion of the Optionholder SPAs shall be conditional upon and shall take place at the same time as completion of the Main SPA. Completion shall be subject to and conditional upon the fulfillment of, the following conditions:

- (a) the issuance of the circular to be issued by the Company in relation to the Acquisition and the transactions contemplated thereunder pursuant to the Listing Rules; and
- (b) resolutions approving the Sale and Purchase Agreements and the transactions contemplated thereunder to be passed by the Shareholders at the EGM.

In the event the conditions precedent set out above are not fulfilled or waived on or before the Long Stop Date, the Sale and Purchase Agreements shall then lapse and no party to the Sale and Purchase Agreements shall have any liability to any other party under the Sale and Purchase Agreements or in respect of the subject matter of the Sale and Purchase Agreements save in respect of any liabilities which have accrued prior to the Sale and Purchase Agreements lapsing or in relation to the relevant clauses of the Sale and Purchase Agreements which remain in force.

## **Long Stop Date**

The Long Stop Date shall be extended by one month if on or prior to the Long Stop Date Radius Maxima notifies Paul Wedgwood that the conditions set out in the section headed “Conditions precedent to the Sale and Purchase Agreements” above will not be satisfied on or prior to the Long Stop Date as a result of the Company’s circular in relation to the Acquisition not being approved by the Stock Exchange pursuant to the Listing Rules or as a result of any other legal, regulatory or compliance obligation or requirement applicable to the Company.

## **Buyer guarantee**

Pursuant to the Main SPA, the Company has agreed to guarantee to Paul Wedgwood the discharge by Radius Maxima of all its obligations and liabilities (including payment obligations) under the Main SPA, the Optionholder SPAs or the Tax Deed.

## **Completion**

Completion shall take place on the accounting month-end date of the month in which the last remaining condition precedent is satisfied or waived (or such other date agreed upon by Paul Wedgwood and Radius Maxima) provided that at least three Business Days have passed since the date on which Paul Wedgwood has been notified by Radius Maxima in writing that the last remaining condition precedent has been satisfied or waived. Radius Maxima shall be entitled in its absolute discretion to waive any or all of the conditions precedent (to the extent permitted by law and the Listing Rules) either in whole or in part.

## **Other terms related to the Sale and Purchase Agreements**

### ***Additional project funding***

Pursuant to the Main SPA, Radius Maxima has agreed to provide funding of up to a maximum of US\$10 million to the Targets for an unannounced video game development project designed by Splash Damage, subject to agreement in writing as to the detailed terms of the project funding being reached between Radius Maxima and Paul Wedgwood after Completion.

### ***Paul Wedgwood's liability***

The aggregate liability of Paul Wedgwood in respect of all and any claims under the Main SPA, except for certain claims as set forth therein, shall not exceed an amount equal to the total consideration actually received by Paul Wedgwood, less an amount equal to Paul Wedgwood's proper and reasonable costs incurred in connection with the Acquisition. Paul Wedgwood shall not be liable in respect of any claims under the Main SPA unless the aggregate liability for all claims exceeds US\$480,000, in which case Paul Wedgwood shall be liable for the entire amount and not merely the excess.

### ***Tax Deed***

Upon Completion, Paul Wedgwood and Radius Maxima are expected to enter into the Tax Deed, pursuant to which (i) Paul Wedgwood as the covenantor will indemnify, subject to certain negotiated exclusions, Radius Maxima generally in respect of any pre-Completion taxation liabilities of the Targets that may arise and additionally in respect of certain specific post-Completion taxation liabilities that may arise; and (ii) any such payment to Radius Maxima shall be treated as a reduction in the Consideration to the extent permitted by law.

### ***Termination of Exclusivity Agreement***

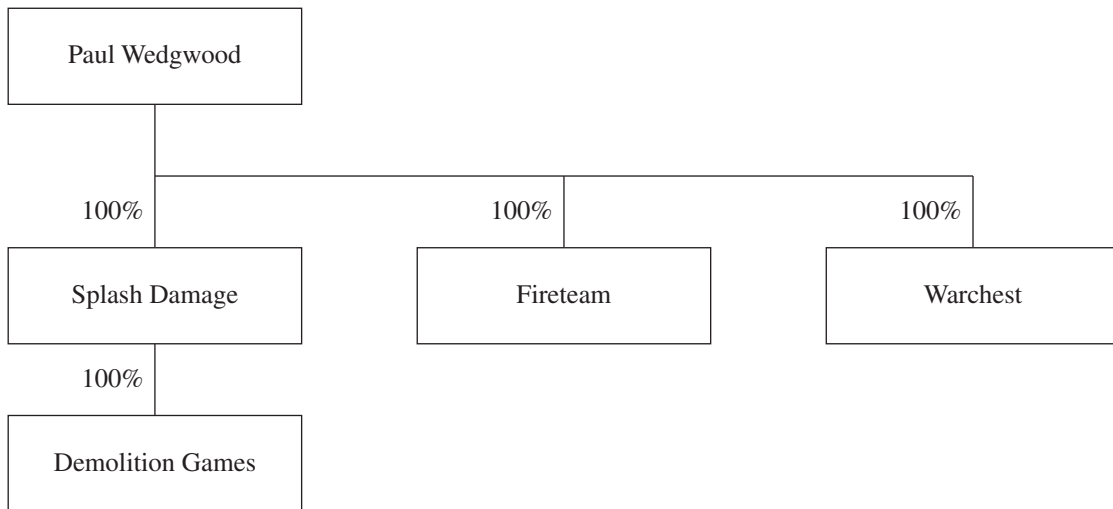
The Exclusivity Agreement shall terminate with immediate effect on the date of the Main SPA and each of the relevant parties irrevocably waives all of its rights under or in respect of the Exclusivity Agreement (other than in respect of any due but unpaid Exclusivity Fee).



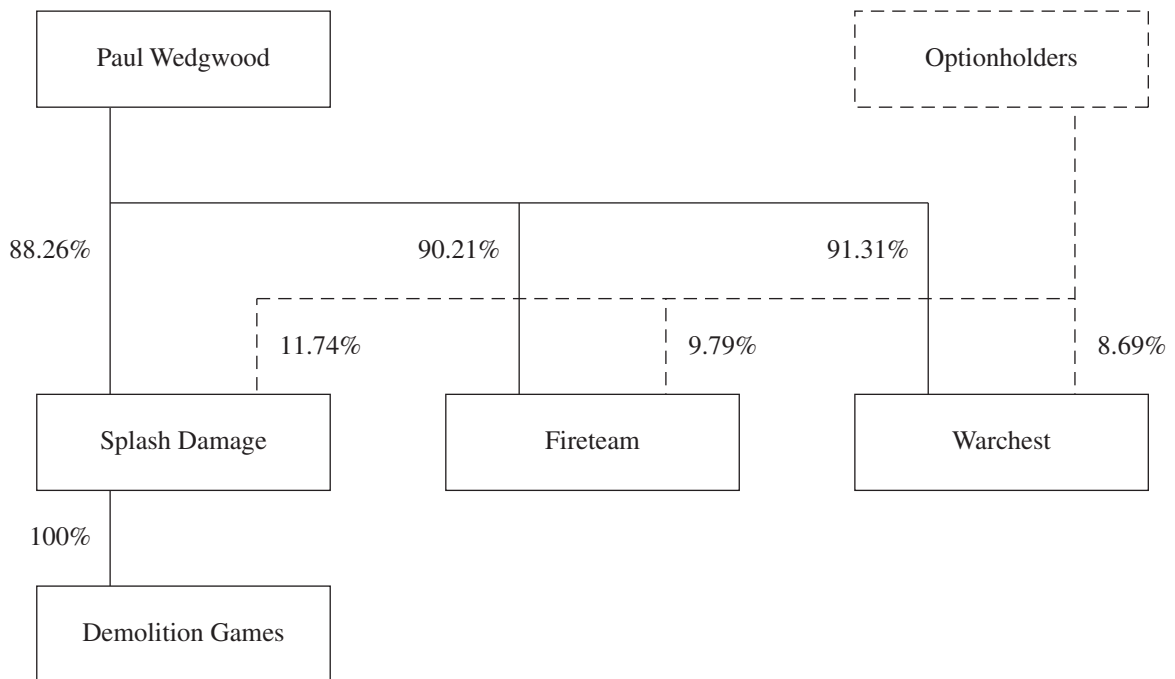
## SHAREHOLDING STRUCTURE OF THE TARGETS

The following are the shareholding structures of the Targets and Splash Damage's subsidiary Demolition Games (i) as at the date of this announcement; (ii) upon the exercise of all the options granted to the Optionholders by the Targets immediately prior to Completion; and (iii) immediately after Completion:

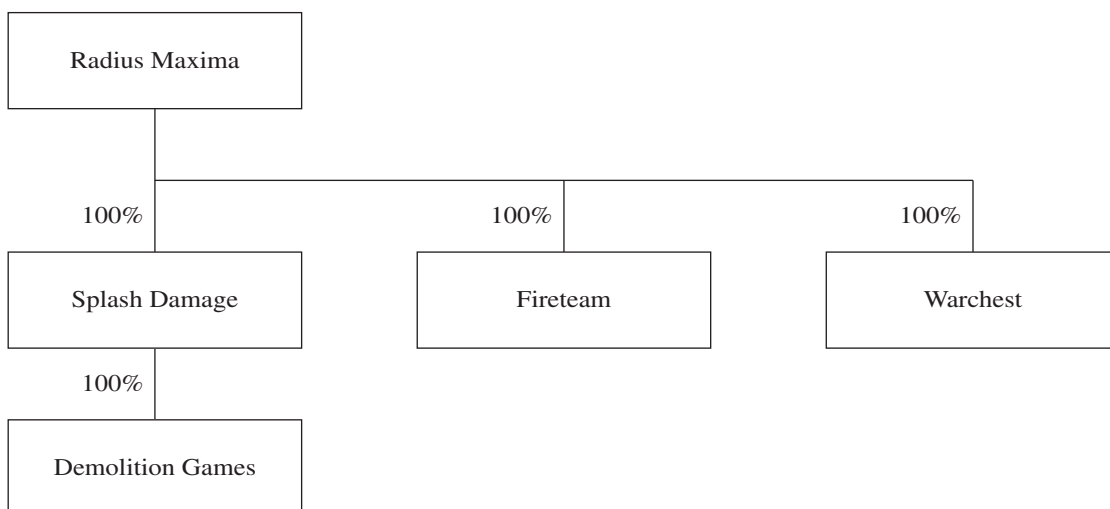
**(i) As at the date of this announcement**



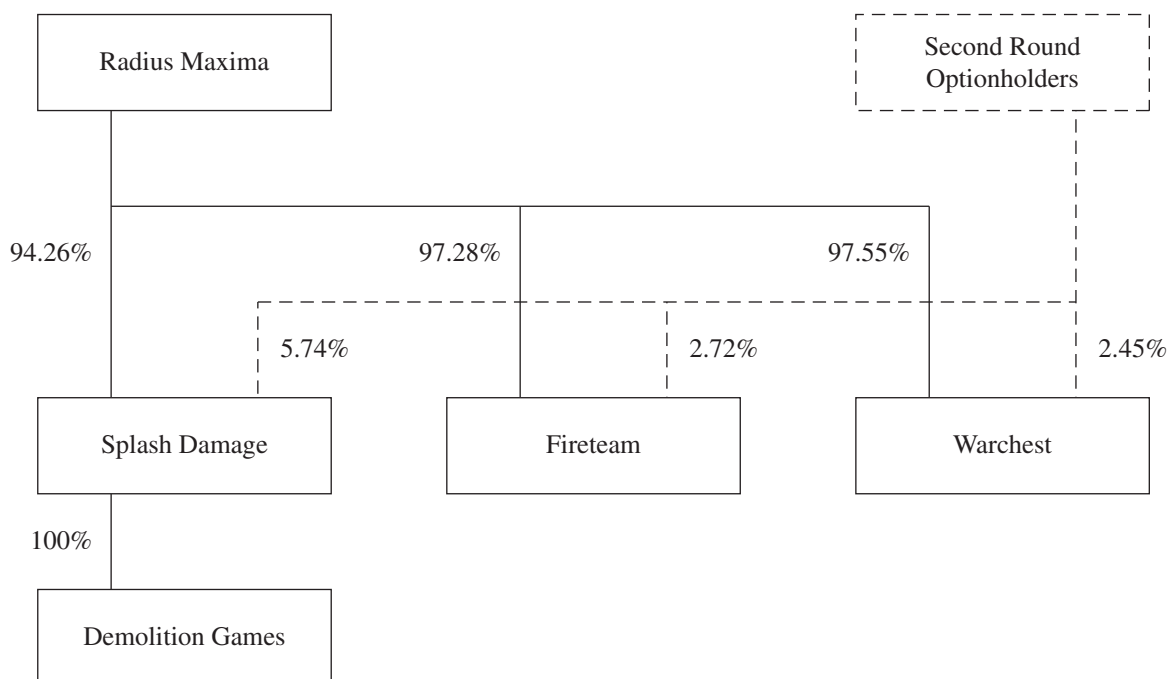
(ii) Upon the issue of Splash Damage Option Shares, Fireteam Option Shares and Warchest Option Shares to Optionholders pursuant to the exercise of all of the options granted to the Optionholders by the Targets immediately prior to Completion (assuming (1) no new options to acquire shares in any of the Targets are granted under the Share Option Plans or any other similar arrangements after the date of this announcement; and (2) none of the share options granted under the Share Option Plans that subsist as at the date of this announcement lapse after the date of this announcement)



(iii) Immediately after Completion (as expected by Radius Maxima, assuming (1) all Optionholders that exercise will sell their respective Splash Damage Option Shares, Fireteam Option Shares and Warchest Option Shares; and (2) no new options to acquire shares in any of the Targets are granted under the Share Option Plans or any other similar arrangements after the date of this announcement)



(iv) Immediately after Completion (assuming that (1) all Optionholders will exercise and, except for the Second Round Optionholders, sell their respective Splash Damage Option Shares, Fireteam Option Shares and Warchest Option Shares; (2) no new options to acquire shares in any of the Targets are granted under the Share Option Plans or any other similar arrangements after the date of this announcement; and (3) none of the share options granted under the Share Option Plans that subsist as at the date of this announcement lapse after the date of this announcement)



## FINANCIAL INFORMATION OF THE TARGETS

Set out below is the key financial information of the Targets based on their respective unaudited combined financial statements prepared in accordance with IFRS for the three years ended 31 March 2016.

	<b>For the year ended 31 March 2014 £</b>	<b>For the year ended 31 March 2015 £</b>	<b>For the year ended 31 March 2016 £</b>
Revenue	1,498,194 (equivalent to approximately RMB13.4 million)	5,412,760 (equivalent to approximately RMB48.4 million)	15,752,118 (equivalent to approximately RMB140.8 million)
(Loss)/Profit before taxation	(3,763,428) (equivalent to approximately (RMB33.6 million))	(944,480) (equivalent to approximately (RMB8.4 million))	6,020,281 (equivalent to approximately RMB53.8 million)
(Loss)/Profit after taxation	(4,184,174) (equivalent to approximately (RMB37.4 million))	(533,017) (equivalent to approximately (RMB4.8 million))	6,477,095 (equivalent to approximately RMB57.9 million)
	<b>As at 31 March 2014 £</b>	<b>As at 31 March 2015 £</b>	<b>As at 31 March 2016 £</b>
Net liabilities/assets	(4,636,826) (equivalent to approximately (RMB41.5 million))	(5,169,843) (equivalent to approximately (RMB46.2 million))	1,307,252 (equivalent to approximately RMB11.7 million)

The audited combined financial information of the Targets for the three years ended 31 March 2016 will be presented in the circular to be issued to the Shareholders in respect of the Acquisition.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in the trading and manufacturing of chicken meat products, animal feeds and chicken breeds (collectively, the “**Poultry Business**”) and the development of video games (the “**Video Gaming Business**”).

According to the annual report for the year ended 31 December 2015 (the “**2015 Annual Report**”), the Group continues to face an arduous task in respect of the Poultry Business, where, despite efforts to improve raw materials procurement, feed production, breeder and broiler breeding, broiler slaughtering and process, quality and safety management and sales mix rationalisation and channel expansion, the management of the Group still has limited control of the business results and profitability under the harsh operational environment in the PRC. The 2015 Annual Report also stated that the global market for video games industry continued to experience healthy growth despite a slowing world economy.

The Group entered into the Video Gaming Business in July 2015 upon the completion of the acquisition of 58% equity interests in Digital Extremes, which is a leading Canada-based video game developer. In May 2016, the Group completed the acquisition of a further 39% equity interests in Digital Extremes. The entrance into the Video Gaming Business enabled the Group (i) to diversify its business and mitigate the volatile and cyclical nature of the Poultry Business; and (ii) to enhance its profitability. For the year ended 31 December 2015, despite approximately 80% of the revenue of the Group was generated from the Poultry Business, approximately 70% of the gross profit of the Group was generated from the Video Gaming Business.

With reference to the 2015 Annual Report, the Group will focus on building a diversified portfolio of profitable video gaming studios with strong IPs and franchises, innovative business models and world class production capacity in more developed markets that have proved their success in developing high-end video games. The Targets are in line with the aforementioned attributes. Hence, the Group has chosen the Targets for its second major acquisition in the Video Gaming Business.

Upon Completion, the Targets will become subsidiaries of the Company and the consolidated profit or loss and assets of the Targets will be accounted for in the consolidated financial statements of the Company. The Targets recorded unaudited net profit of approximately £ 6.5 million (equivalent to approximately RMB58 million) for the year ended 31 March 2016, whereas the Group recorded net loss attributable to shareholders of approximately RMB82 million for the year ended 31 December 2015. Given (i) the improvements in the revenue and profitability of the Targets over the past few years; (ii) the prospects of the announced and unannounced projects developed or being developed by the Targets; and (iii) the possible synergies generated within the Group, the Directors believe the business of the Targets has growth potential after Completion. The Directors also believe the Acquisition will allow the Group to further diversify its video gaming portfolio and enhance its revenue streams.

The Directors are of the view that the terms of the Sale and Purchase Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Shareholders are concerned and the entering into of the Sale and Purchase Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULE IMPLICATIONS**

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major acquisition of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **EGM**

The EGM will be convened to consider and approve the Sale and Purchase Agreements, all other documents referred to therein (including the Deed of Share Charge and the Tax Deed) and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the transactions contemplated under the Sale and Purchase Agreements. Therefore, no Shareholder is required to abstain from voting at the EGM.

## GENERAL

A circular containing, among other things, (i) further information on the Acquisition; (ii) further information on the Targets; (iii) the accountants' reports on the Targets; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the notice of the EGM; and (vi) other information as required under the Listing Rules, shall be despatched to the Shareholders. Given the expected time required for the finalisation of the contents of the circular, the circular is expected to be despatched on or before 29 July 2016.

**Completion is subject to the satisfaction of the respective conditions precedent under the Sale and Purchase Agreements and therefore, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

Unless the context otherwise requires, the following terms in this announcement shall have the meanings set out below:–

“2017 Accounts”	the consolidated audited accounts of each of the Targets for FY 2017 including an audited balance sheet and profit and loss account, prepared in accordance with IFRS
“2017 Audited Net Income”	the aggregate Net Income of the Targets as set out in the 2017 Accounts
“2017 Payment”	as defined in the section headed “Earn-Out Consideration” in this announcement
“2018 Accounts”	the consolidated audited accounts of each of the Targets for FY2018 including an audited balance sheet and profit and loss account, prepared in accordance with IFRS
“2018 Audited Net Income”	the aggregate Net Income of the Targets as set out in the 2018 Accounts

“2018 Payment”	as defined in the section headed “Earn-Out Consideration” in this announcement
“2019 Accounts”	the consolidated audited accounts of each of the Targets for FY2019 including an audited balance sheet and profit and loss account, prepared in accordance with IFRS
“2019 Audited Net Income”	the aggregate Net Income of the Targets as set out in the 2019 Accounts
“2019 Payment”	as defined in the section headed “Earn-Out Consideration” in this announcement
“Acquisition”	the acquisition of the shares in Splash Damage, Fireteam and Warchest from Paul Wedgwood and the Optionholders pursuant to the Sale and Purchase Agreements
“Adjustment Payment”	the Completion Consideration less the Initial Consideration
“Aggregated Adjustment Payment”	the sum of any positive Initial Adjustment Payment, any positive Adjustment Payment and any NIC Liabilities Shortfall Payment
“Agreed NIC Liabilities”	50% of the employer national insurance contributions payable by the Targets in respect of the exercise of unapproved options under the Share Option Plans
“Board”	the board of Directors
“Business Day”	a day other than a Saturday, Sunday or public holiday in England and Wales
“Company”	Leyou Technologies Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (Stock Code: 1089)



“Completion”	completion of the sale and purchase of the Splash Damage Shares, the Fireteam Shares, and the Warchest Shares pursuant to the Main SPA and as defined in the section headed “Completion” in this announcement
“Completion Accounts”	the audited accounts of the Targets as at the date of Completion
“Completion Consideration”	an amount equal to the sum of: (a) the Completion Value; plus (b) cash balance of the Targets as at Completion; less (c) debt balance of the Targets as at Completion; less (d) the Working Capital Adjustment (if negative) or plus the Working Capital Adjustment (if positive); plus (e) the Share Option Tax Relief Amount, all of which shall be extracted from the Completion Accounts
“Completion Value”	US\$35,000,000
“Consideration”	being the sum of Consideration (Paul Wedgwood) and Consideration (Optionholders), which includes the Initial Consideration, any positive Adjustment Payment, the Deferred Payment, any NIC Liabilities Shortfall Payment and any Earn-Out Consideration
“Consideration (Optionholders)”	being the total consideration payable by Radius Maxima to the Optionholders for the acquisition of the Splash Damage Option Shares, the Fireteam Option Shares and the Warchest Option Shares pursuant to the Optionholder SPAs
“Consideration (Paul Wedgwood)”	being the total consideration payable by Radius Maxima to Paul Wedgwood for the acquisition of the Splash Damage Shares, Fireteam Shares and Warchest Shares

“Deed of Share Charge”	the deed of share charge to be dated the date of Completion granted by Radius Maxima in favour of Paul Wedgwood, charging all present and future shares of Radius Maxima in the Targets and all their related rights in favour of Paul Wedgwood, as security for payment of the Secured Consideration
“Deferred Payment”	US\$10,000,000
“Demolition Games”	Demolition Games Limited, a company incorporated under the laws of England and Wales with limited liability and the wholly-owned subsidiary of Splash Damage
“Determination Date”	the date upon which the completion statement is agreed between Radius Maxima and Paul Wedgwood or otherwise becomes final and binding on the parties in accordance with the Main SPA
“Digital Extremes”	Digital Extremes Ltd., a company incorporated under the laws of the Province of Ontario, Canada, and a subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Earn-Out Consideration”	the aggregate of the 2017 Payment, the 2018 Payment and the 2019 Payment, which forms part of the Consideration
“Earn-Out Period”	FY2017, FY2018 and FY2019
“EGM”	the extraordinary general meeting of the Shareholders to be convened and held for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreements, all other documents referred to therein (including the Deed of Share Charge and the Tax Deed) and the transactions contemplated thereunder

“Enlarged Group”	the Group as enlarged by the Acquisition
“Exclusivity Agreement”	an exclusivity agreement entered into by Paul Wedgwood, the Targets and the Company dated 30 May 2016
“Exclusivity Fee”	the fee payable by the Company under the Exclusivity Agreement
“Fireteam”	Fireteam Limited, a company incorporated under the laws of England and Wales with limited liability
“Fireteam Completion Consideration”	an amount equivalent to 25% of the Completion Consideration
“Fireteam Deferred Payment”	an amount equivalent to 25% of the Deferred Payment
“Fireteam Initial Consideration”	an amount equivalent to 25% of the Initial Consideration
“Fireteam Option Shares”	the shares in Fireteam to be issued if the Optionholders exercise their right to convert their share options in Fireteam
“Fireteam Shares”	1,000,000 issued ordinary shares of £0.000001 each in the capital of Fireteam being the entire issued share capital of Fireteam as at the date of this announcement
“First Round Optionholders”	namely, Arnout van Meer, Griff Jenkins, Ross Farrow and Richard Jolly, who signed their respective Optionholder SPAs on 1 July 2016
“FY2017”	the period of 12 months commencing on 1 January 2017 and ending on 31 December 2017
“FY2018”	the period of 12 months commencing on 1 January 2018 and ending on 31 December 2018

“FY2019”	the period of 12 months commencing on 1 January 2019 and ending on 31 December 2019
“GP Bullhound Fee Amount”	such amount notified by Paul Wedgwood to Radius Maxima
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	International Financial Reporting Standards
“Initial Adjustment Payment”	the sum of (i) Paul Wedgwood’s good faith estimate of the cash balances of the Targets as at Completion; less (ii) Paul Wedgwood’s good faith estimate of the debt balances of the Targets as at Completion; less (iii) Paul Wedgwood’s good faith estimate of the Working Capital Adjustment (if negative) or plus Paul Wedgwood’s good faith estimate of the Working Capital Adjustment (if positive); plus (iv) the Share Option Tax Relief Amount
“Initial Consideration”	the higher of (i) US\$35,000,000 and (ii) an amount equal to the sum of the Completion Value plus the Initial Adjustment Payment (if positive)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2016 unless extended pursuant to the section headed “Long Stop Date” above

“Main SPA”	the conditional sale and purchase agreement dated 1 July 2016 entered into between Paul Wedgwood, Radius Maxima and the Company in respect of the sale and purchase of the Splash Damage Shares, Fireteam Shares and Warchest Shares
“NIC Liabilities”	the employer national insurance contributions payable by the Targets in respect of the exercise of the unapproved options under the Share Option Plans plus any interest and penalties arising in connection therewith
“NIC Liabilities Shortfall Payment”	as defined in the section headed “NIC Liabilities” in this announcement
“Net Income”	the operating profits (or losses) of the Targets and their respective subsidiaries after interest and taxation prepared under IFRS, disregarding certain costs and charges as determined in accordance with the Main SPA
“Optionholder SPAs”	the share purchase agreements in the agreed form between each of the Optionholders, Radius Maxima and Splash Damage, Fireteam or Warchest (as the case may be) in respect of the sale and purchase of the Splash Damage Option Shares, the Fireteam Option Shares and the Warchest Option Shares, to be entered into at or prior to Completion
“Optionholders”	collectively, the First Round Optionholders and Second Round Optionholders, being the vendors of the Splash Damage Option Shares, the Fireteam Option Shares and the Warchest Option Shares
“Optionholders’ Percentage”	the Optionholders’ Percentage in Fireteam, the Optionholders’ Percentage in Splash Damage or the Optionholders’ Percentage in Warchest, as applicable

“Optionholders’ Percentage in Fireteam”	the percentage attributable to Optionholders’ interests in Fireteam at Completion, to be reflected by the issue of shares in Fireteam as a result of the exercise of options granted to the Optionholders by Fireteam
“Optionholders’ Percentage in Splash Damage”	the percentage attributable to Optionholders’ interests in Splash Damage at Completion, to be reflected by the issue of shares in Splash Damage as a result of the exercise of options granted to the Optionholders by Splash Damage
“Optionholders’ Percentage in Warchest”	the percentage attributable to Optionholders’ interests in Warchest at Completion, to be reflected by the issue of shares in Warchest as a result of the exercise of options granted to the Optionholders by Warchest
“Paul Wedgwood”	Paul Wedgwood, the vendor of the Splash Damage Shares, the Fireteam Shares and the Warchest Shares
“Paul Wedgwood’s Director’s Loan”	being £468,717.47 (equivalent to approximately RMB4.2 million) (including accrued interest) of directors’ loans owing from Paul Wedgwood to Splash Damage as at the date of the Main SPA, which Paul Wedgwood will settle in full at Completion by directing such part of Paul Wedgwood’s Percentage of the Initial Consideration be paid to Splash Damage
“Paul Wedgwood’s Percentage”	89.05372%, being the weighted average of Paul Wedgwood’s equity percentage interest in each of Splash Damage, Fireteam and Warchest
“percentage ratio”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, and for the purposes of this announcement excluding Hong Kong, the Macau Special Administrative Region, and Taiwan

“Radius Maxima”	Radius Maxima Limited, a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreements”	collectively, the Main SPA and the Optionholder SPAs
“Second Round Optionholders”	collectively, the group of Optionholders apart from the First Round Optionholders
“Secured Consideration”	together the Earn-Out Consideration, the Deferred Payment and any Aggregated Adjustment Payment, the payment of which by Radius Maxima is secured by the Deed of Share Charge
“Share Option Plans”	the share option plans adopted by the Targets
“Share Option Tax Relief Amount”	20% of the aggregate of the difference between the total exercise price of the options and the consideration payable for the Splash Damage Option Shares, the Fireteam Option Shares and the Warchest Option Shares acquired on exercise of the options assuming the value of the Earn-Out Consideration to be determined in accordance with the Main SPA
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s) of the Company
“Splash Damage”	Splash Damage Limited, a company incorporated under the laws of England and Wales with limited liability
“Splash Damage Completion Consideration”	an amount equivalent to 65% of the Completion Consideration

“Splash Damage Deferred Payment”	an amount equivalent to 65% of the Deferred Payment
“Splash Damage Initial Consideration”	an amount equivalent to 65% of the Initial Consideration
“Splash Damage Option Shares”	the shares in Splash Damage to be issued if the Optionholders exercise their right to convert their share options in Splash Damage
“Splash Damage Shares”	1,000,000 issued ordinary shares of £0.0001 each in the capital of Splash Damage being the entire issued share capital of Splash Damage as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Targets”	Splash Damage, Fireteam and Warchest
“Tax Deed”	the deed of covenant to be executed by Paul Wedgwood and Radius Maxima at Completion relating to taxation in the agreed form between Paul Wedgwood and Radius Maxima
“US\$”	United States dollars, the lawful currency of the United States of America
“Warchest”	Warchest Limited, a company incorporated under the laws of England and Wales
“Warchest Completion Consideration”	an amount equivalent to 10% of the Completion Consideration
“Warchest Deferred Payment”	an amount equivalent to 10% of the Deferred Payment
“Warchest Initial Consideration”	an amount equivalent to 10% of the Initial Consideration



“Warchest Option Shares”	the shares in Warchest to be issued if the Optionholders exercise their right to convert their share options in Warchest
“Warchest Shares”	1,000,000 issued ordinary shares of £ 0.000001 each in the capital of Warchest being the entire issued share capital of Warchest as at the date of this announcement
“Working Capital”	being a sum equal to the aggregate combined trade/accounts receivable (excluding accrued income, royalty income receivable and value added tax credit receivable, if any, included as current assets in the Completion Accounts) of the Targets less the aggregated combined trade/accounts payable and accruals (excluding deferred revenue/receipts in advance and rent free provisions if any, included as current liabilities in the Completion Accounts) of the Targets, in each case immediately prior to Completion and set out in the Completion Accounts
“Working Capital Adjustment”	an amount equal to the sum of the Working Capital less the Working Capital Target
“Working Capital Target”	US\$450,000
“%”	per cent
“£”	Pound sterling, the lawful currency of the United Kingdom

*For illustration purposes in this announcement, the amounts in US\$ and £ are translated into RMB at the rate of US\$1.00 = RMB6.64 and £ 1.00 = RMB8.94 respectively. No representation is made that any amount in RMB, US\$ and £ has been or could be converted at the said rates or any other rates or at all.*

By order of the Board  
**Leyou Technologies Holdings Limited**  
**Lin Qinglin**  
*Chairman*

Hong Kong, 3 July 2016

*As at the date of this announcement, the Board comprises Mr. Lin Qinglin, Mr. Law Kin Fat, Mr. Wu Shiming, Mr. Hsiao Shih-Jin and Mr. Wong Ka Fai, Paul as executive Directors, Mr. Eric Todd as non-executive Director and Mr. Hu Chung Ming, Mr. Yang Chia Hung and Mr. Chan Chi Yuen as independent non-executive Directors.*